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BEST CITIES FOR THE NEXT DECADE

THEY'RE PROSPEROUS, INNOVATIVE
 AND THEY'LL GENERATE PLENTY OF JOBS, TOO. >>

■ PETER ALLEN
 WON THE AWARD
 FOR BEST MUSIC
 WEB SITE AT
 AUSTIN'S SOUTH
 BY SOUTHWEST
 FESTIVAL.

WE LIVE IN CHALLENGING TIMES. UNEMPLOYMENT REMAINS HIGH, AND THE U.S. LEAD

in technology and science is slipping as many foreign countries gain ground. But some U.S. cities, though slowed by the Great Recession, still thrive by lifting good old American innovation to new levels. And that will help put more Americans back to work and keep our international edge. // In *Kiplinger's* latest search for top cities,

we focused on places that specialize in out-of-the-box thinking. “New ideas generate new businesses,” says Kevin Stolarick, our numbers guru, who this year evaluated U.S. cities for growth and growth potential. Stolarick is research director at the Martin Prosperity Institute, a think tank that studies economic prosperity. “In the places where innovation works, it really works,” he says.

After researching and visiting our 2010 Best Cities, it became clear that the innovation factor has three elements. Mark Emmert, president of the University of Washington in Seattle, put his finger on two of them: smart people and great ideas.

But we’d argue that it’s the third element—collaboration—that *really* supercharges a city’s economic engine. When governments, universities and business communities work together, the economic vitality is impressive.

And it’s no coincidence that economic vitality and livability go hand in hand. Creativity in music, arts and culture, plus neighborhoods and recreational facilities that rank high for “coolness,” attract like-minded professionals who go on to cultivate a region’s business scene. All of which make our 2010 Best Cities not just great places to live but also great places to start a business or find a job.

1 AUSTIN, TEX.

WHERE SMALL BUSINESS ROCKS

Everything may be bigger in Texas, but Austin’s genius is nurturing the power of small. Just ask Rob Neville, who wants to develop his biotech firm, Savara Pharmaceuticals, into a major player in the field of inhaled-drug therapy. The firm started in Kansas,

but Neville transplanted it to Austin because the city is arguably the country’s best crucible for small business.

Neville, a native of South Africa, has rooted his company in a city with, he says, “a huge angel-financing network and billionaires who will freely offer you advice,” plus a culture that “attracts the best and brightest—who will work for less just to be in Austin.” Savara is based in the city’s renowned Austin Technology Incubator.

Neville himself isn’t a scientist. “Many people could have done a life-sciences company better than me,” he admits. But he has faith in Austin. His first company, software firm Evity, blossomed in Austin; he sold it to BMC Software for \$100 million in 2000.

And the Austin magic isn’t limited to high-tech businesses. Blair Smith is co-owner of Dirty Dog, a dog-grooming business. When Smith needed capital, she found it through Meet the Lender, a community program. “We’re such a weird business that traditional banks don’t get us,” says Smith.

Meet the Lender is but one of a dozen free Austin programs that form a neural network of business brainpower to help entrepreneurs. Now overlay that net with a dozen venture-capital funds and 20 or so business associations, plus incubators and networking events. Mix these into what many call a classless society, where hippie communalism coexists with no-nonsense capitalism, and you’ve got a breeding ground for start-ups.

No wonder Austin topped Portfolio .com’s small-business-vitality charts in 2010. Between 2004 and 2009, when employment dropped nationwide, Austin’s employment increased 16%.

And don’t discount the fun factor,

especially when it comes to music. As the self-proclaimed live-music capital of the world, Austin has 200 venues, ranging from rowdy college rock bars to blues joints with sticky floors and waitresses who call you darlin’.

And performers infuse local businesses with bright ideas inspired by their music. Alex Victoria is a director of software engineering at HomeAway, an online business that matches owners of vacation homes with renters. But he’s also a member of a punk-rock band called The MidgetMen. Especially in Internet businesses, says Victoria, “you’re moving fast, taking lots of things and mashing them together—a lot like musicians playing off each other.”

As important as music is to Austin, the area’s atmosphere—its lakes and parks, plus its unique and funky businesses—also defines the vibe. The epicenter of the “Keep Austin Weird” sentiment is South Congress Avenue. If you don’t enjoy SoCo spots—such as Allens Boots shop, the Lucy in Disguise With Diamonds costume store or the Mighty Cone taco truck and its breaded, deep-fried avocado—you can always live in nearby, strait-laced Round Rock. But that wouldn’t be weird, now would it? **ROBERT FRICK**

2 SEATTLE, WASH.

READY FOR TAKEOFF

Rain City? We’d say Brain City. Home to a well-educated workforce, a world-class research university, innovators Amazon, Boeing and Microsoft, and a host of risk-taking, garage-tinkering entrepreneurs, Seattle crackles with creative energy. “We only have two products here: smart people and great ideas,” says Emmert,



#1
AUSTIN
A THRIVING
SMALL-BUSINESS
CULTURE DRIVES
JOBS.



■ AUSTIN HAS SPAWNED MANY BUSINESSES WITH UNIQUE TWISTS THAT HAVE GONE NATIONWIDE, INCLUDING WHOLE FOODS MARKET.



■ THE EPICENTER OF "KEEP AUSTIN WEIRD" IS SOUTH CONGRESS AVENUE (LEFT). AT RIGHT IS THE AUSTIN CONVENTION CENTER.



■ AUSTINITES ENJOY THE OUTDOORS. AT LEFT IS BARTON SPRINGS, AND AT RIGHT IS A VIEW FROM A PARK BY TOWN LAKE.

TOP ROW: HARRY CABLUCK/AP IMAGES; MIDDLE ROW: REFLEXSTOCK/LOVELY PLANE/RICHARD CUMMINS (2).
BOTTOM ROW: COURTESY AUSTIN CONVENTION AND VISITORS BUREAU; PATRICK RAY DUNN/ALAMY.

of the University of Washington.

Those same attributes drive the Seattle economy, which is preparing for takeoff after hitting a few hard bumps over the past several years, especially in real estate, manufacturing and construction. One shiny new prospect: Boeing's 787 Dreamliner. This game-changing plane, along with a backlog of orders for older models and the possibility of a major military contract, forecast clear skies ahead for Boeing.

Equally energized is the life-sciences industry, a staple of the Seattle business scene, thanks to the University of Washington's billion-dollar-a-year research budget and a cluster of top-flight medical and bioscience centers. "We have the greatest concentration of global health activities, in terms of discovery, development and delivery, of any place in the world," says Lisa Cohen, executive director of the Washington Global Health Alliance. "We can't hire fast enough."

Clean tech is an ideal fit for a city teeming with engineers, environmentalists, software geeks and scientists. This industry, which includes architectural services, engineering and environmental consulting, grew 4.2% a year from 2002 to 2008.

Seattle-based McKinstry, the giant company that retrofits buildings for energy efficiency and installs energy-efficient systems in new buildings, not only serves as a national model for clean tech but also demonstrates the area's willingness to nurture new ideas. McKinstry recently opened the Innovation Center, an airy, 24,000-square-foot space outfitted with reclaimed timber and glass walls. Here, entrepreneurs can develop products alongside McKinstry engineers and brainstorm at the in-house wine bar.

Seattle's intellectual sizzle has yet to solve all of its problems, which include empty office buildings, stalled construction projects, aging infrastructure and a collective tendency to debate rather than decide. From his office aerie on the 57th floor of the

municipal tower, Stephen Johnson, acting director of the Seattle Office of Economic Development, points to the ailing manufacturing center visible from one window and the mostly vacant skyscraper nearby. "Other areas have been deliberate in how economic development occurs," Johnson says. "We've been more laissez faire. We realized with this recession that we need to be much more aggressive."

Meanwhile, this Pacific Rim city has other qualities to recommend it, including great food, a glorious setting, enough rain to keep the locals' complexions looking dewy—and, yeah, lots of smart people. **JANE BENNETT CLARK**

3 WASHINGTON, D.C. MONUMENTAL GROWTH

Every tourist knows postcard D.C., the city that is home to the White House, the Capitol and all those free Smithsonian museums. But those of us who live in D.C. know better. Our home is chock-full of job prospects, entertainment venues and great neighborhoods.

And it is booming. Blame it on big-government spending or credit Obama mojo, but the federal city is growing. D.C. proper, which now has a population of about 600,000, gained more new residents between July 2008 and July 2009 than in any other one-year period since World War II.

And it's not just people who are relocating here. Five large companies—Computer Sciences, Hilton Worldwide, Northrop Grumman, SAIC and Volkswagen North America—have relocated to the greater D.C. region in the past two years.

Only 11% of the D.C. population works directly for the federal government. That said, the Beltway is a hub for large defense contractors, such as General Dynamics and Northrop.

Small and midsize businesses blossom here, too, in part because government-contracting rules require the big guys to spread the wealth.

The local tech sector has evolved far beyond government contracting. Virginia Tech is building an \$80-million technology research center in Arlington, Va., that will analyze the human genome, among other projects.

Picture the D.C. region as a lifestyle smorgasbord. You can patronize world-class restaurants, such as Komi, in Dupont Circle, or chow down on Julia's Empanadas and other cheap eats. Rock Creek Park, the U.S. National Arboretum and the National Mall offer ample green spaces.

You'll appreciate these opportunities for relaxation after battling the region's notoriously gridlocked traffic, which is admittedly a drag. So is the area's expensive real estate market, although you do have a wide range of choices of places to live. For instance, you can enjoy condo living in the city's Dupont Circle neighborhood; ease into the leafy suburban neighborhoods of northwest D.C., Bethesda, Md., and Fairfax, Va.; dwell in historic homes on Capitol Hill; or party in the hipster haven of Logan Circle. A 650-square-foot, two-bedroom condo in Logan Circle sells for \$430,000; a 2,200-square-foot, three-bedroom house in suburban Bethesda goes for \$700,000; and you can buy a 3,500-square-foot, five-bedroom brick colonial in Fairfax for \$840,000. **THOMAS M. ANDERSON**

4 BOULDER, COLO. SCIENCE MEETS SCENERY

It's a city of crunchy environmentalists, early adopters and entrepreneurs, meandering bike paths, and restaurants powered by wind energy. You'll find scores of art galleries, performing-arts venues and chic boutiques—even a Tesla Motors electric-sports-car dealership. Boulder is an intellectual hot spot where environmental and scientific ideas blossom into businesses.

Three economic drivers power Boulder: the University of Colorado,

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Learn how your city stacks up, see walking tours of top cities, read longer city stories and use our calculator to see which city is best for you at kiplinger.com/links/bestcities.

#2
SEATTLE
CRACKLES WITH
CREATIVE
ENERGY.



■ BOEING IS A KEY TO SEATTLE'S SUCCESS. THE CITY'S PIKE PLACE MARKET HAS SHOPS, CRAFTSPEOPLE AND FRESH PRODUCE.



■ THE PACIFIC RIM CITY'S BUSINESS MIX IS IMPRESSIVE: CARGO CRANES, BIOSCIENCE RESEARCH AND A LABORATORY AT MICROSOFT.



■ PUBLIC SPACE, ESPECIALLY NEAR THE WATER, IS PART OF THE VIBE. THE SEATTLE PUBLIC LIBRARY BOASTS COOL SPACE OF ITS OWN.

TOP ROW: COURTESY BOEING; REFLEXSTOCK/STOCK CONNECTION/CYRIL FURLAN. MIDDLE ROW: DELLA HUFF/ALAMY; LAIF/REDUX; DIRK KUELL/LAIF/REDUX. BOTTOM ROW: MASTERFILE; MICHAEL WEBER/GALLERY STOCK.

federal research laboratories and more than 6,600 small businesses and corporations, all woven into an entrepreneurial fabric. For example, Ball Aerospace, responsible for instrumentation and repairs for the Hubble Space Telescope, develops businesses with the university's aerospace engineering sciences program and federally funded labs, including the National Institute of Standards and Technology.

The city is a mecca for those seeking healthy lifestyles. At lunch hour, employees can grab a workout on the city's 150 miles of hiking and biking trails. But Boulder is not without its issues. Housing prices are steep—the median price is \$530,000—which forces many to look outside the city for affordable housing. **MARC A. WOJNO**

5 **SALT LAKE CITY, UTAH** DEEP TALENT POOL, LOW COSTS

Two years ago, David Flynn's business produced a hot memory drive and employed ten people. A California venture-capital firm tried to lure him to Silicon Valley, but he stayed put and raised \$111 million from a host of other top venture firms. Now he employs 250 people who make those drives and is looking to hire more. "We've been rewarded for sticking to our guns," says Flynn.

Talent is key to building a company, and Flynn says that one of Salt Lake City's secrets is Utah's "very educated and deep talent pool." Plus, it doesn't hurt that "our offices are 15 minutes away from four ski resorts."

And you can't beat the cost of living and running a business in Salt Lake City. Utah has relatively low wages, taxes and operating costs.

Salt Lake City is home to the University of Utah, internationally recognized for its research in genetics and health sciences, and a hotbed of new-business creation. "The universities here are more than ivory towers," says Jonathan Johnson, president of Internet retailer Overstock.com, which is based in Salt Lake City. Johnson, who hires programmers,

mathematicians and statisticians from Utah universities, says the local talent pool is tops for its technical knowledge and outstanding work ethic.

JENNEY A. NALEVANKO

6 **ROCHESTER, MINN.** SPREADING THE MAYO MODEL

Heading north on Route 63, about the time you pass the water tower painted to look like an ear of corn, the Rochester skyline shoots up from the Minnesota horizon. The city is growing like a beanstalk—a high-tech, health-care, hospitality beanstalk.

Of course, it's home to the Mayo Clinic, the world-renowned research center and hospital, and the city has built on Mayo's rock-solid foundation. The synergy among the city's resources has been well cultivated and is paying dividends.

Take, for instance, the Minnesota Partnership for Biotechnology and Medical Genomics, formed in 2003 between Mayo and the University of Minnesota at Rochester to spawn new businesses. More than 20 technology-related firms have opened up in Rochester over the past ten years. And the city inaugurated the Minnesota BioBusiness Center in spring 2009—providing room to grow in the form of 150,000 feet of office space. The center, located a block from both the Mayo Clinic and the university, represents the city's aspiration to build an even stronger research community.

Rochester also welcomes about 2.7 million visitors every year—pouring \$520 million into the economy and supporting the city's hospitality industry. Many of the visitors are Mayo patients from across the world.

The result is a welcoming community. The city offers a civic center that attracts a varied menu of entertainment, plus a vibrant arts scene.

CANDICE LEE JONES

7 **DES MOINES, IOWA** FERTILE GROUND FOR NEW JOBS

A possible worker shortage sparked by retiring baby-boomers has lit a fire

under Des Moines's civic leaders. The city is making strides in luring back young Iowans and attracting global talent by developing its downtown and promoting jobs available in the many industries that flourish there. Other big draws: low-cost housing, plus the city's reputation for family-friendliness and a "19-minute commute."

You want high-tech? Pioneer Hi-Bred International, a top agricultural-seed company, plans to funnel \$154 million into an expansion that will create 400 jobs over the next three years, including well-paying positions in scientific research.

There's more to Des Moines than agricultural jobs. Employers include Principal Financial Group in insurance, Wells Fargo in finance and Meredith in publishing. The city's low costs and educated workforce make it a fertile ground for new businesses.

The city's attractions have grown beyond the grand old Iowa State Fair. They include a contemporary-art center, a symphony orchestra, an arts festival, a 4.4-acre downtown sculpture park and a music festival that draws popular bands, such as Spoon and Modest Mouse. **BETSY RUBINER**

8 **BURLINGTON, VT.** POWERED BY GREEN

This mountain city wants to be a role model for saving the planet. Environmentalism isn't just ingrained in the city's diverse economy; it's the driver for much of its economic growth.

For example, Seventh Generation, maker of eco-friendly household products, is headquartered on Burlington's beautiful Lake Champlain waterfront. Outside the city, Green Mountain Power and Vermont Electric Cooperative are building a wind farm that will add jobs in the growing green sector.

Creativity and entrepreneurship define Burlington. The town is a haven for writers and artists, and that innovative spirit energizes white-collar workers as well. "Creativity is the lifeblood of our businesses," says Bruce Seifer, of Burlington's Community and



#3
WASHINGTON, D.C.,
 CREATES JOBS
 IN THE PRIVATE
 SECTOR.



■ AT TOP, BOATS DOCK AT NATIONAL HARBOR, A NEW ATTRACTION ALONG THE POTOMAC. ABOVE, TECH FIRMS ARE SPROUTING.



#4
BOULDER
 HAS HIGH-TECH,
 HEALTHY LIVING
 AND THE ARTS.

■ KIDS GROW UP WITH THE SCIENCES, BUT THERE'S TIME FOR FUN: THE RUBBER DUCK DROP AT BOULDER CREEK FESTIVAL.

Economic Development Office. “Having art everywhere inspires those *aha* moments, to create something new and reinvent existing products.”

Even a mundane commercial oven cooks up ingenuity in Burlington. When Kentucky Fried Chicken realized it needed to offer healthier menu items, it turned to Blodgett, a maker of commercial ovens that has been based in Burlington since its founding in 1848. **STACY RAPACON**

9 WEST HARTFORD, CONN. NOT JUST A SUBURB ANYMORE

Can you define *ambitious*? The residents of Noah Webster’s hometown can. This once-sleepy suburb of Connecticut’s capital is not content to be merely an idyllic place to live and raise a family (it is, by the way). West Hartford made our list because it is transforming itself from a suburb into a destination—in this case, a regional destination for health care, shopping and dining.

The majority of West Hartford’s

residents work in the area’s biggest sectors—insurance and financial services—in nearby towns. But small business is the new game in town, and everyone’s playing. West Hartford’s economy rests largely on professional and health services.

Retail makes up the rest of the local economy. Three years ago, the town doubled the size of West Hartford Center by adding a new mixed-use development of upscale retail stores and residences. Called Blue Back Square, in homage to Webster’s Blue Back Speller, the square brought a movie theater, a Crate & Barrel, a Whole Foods Market and an REI to the town’s central shopping and dining district.

West Hartford continues to steal market share from Hartford on the entertainment front, but it’s also focused on retaining the small-town charm that keeps it, well, charming. “Great neighborhoods, a safe community and great schools have been our tradition,” says town mayor Scott Slifka. **JESSICA L. ANDERSON**

10 TOPEKA, KAN. CROSSROADS OF AMERICA

In its reserved, midwestern way, Topeka has engineered a prosperity that most cities of similar size would envy. As businesses around the country were downsizing over the past couple of years, a number were expanding significantly in Topeka. Goodyear Tire and Rubber, for example, made the largest investment in the city’s history: a \$250-million facility.

And then there’s PT’s Coffee Roasting Co. From a coffeehouse opened in 1993 by Fred Polzin and Jeff Taylor, PT’s has grown into a coffee-supply business that roasts more than 100 tons of beans annually and sells them to more than 200 retailers nationwide. Polzin echoes many business leaders when he says Topeka shines because of its low costs, great workforce and easy access to any part of the country.

Topeka contributes 10% of the economic-development money generated by the city’s sales tax to small businesses. **KATHRYN A. WALSON**

Behind the Numbers

THE MAKING OF THE TOP TEN

Some key numbers *Kiplinger’s* used to choose our Best Cities for 2010 are at right. But numbers are only a fraction of the factors we considered. Our process is based on the work of Kevin Stolarick, of the Martin Prosperity Institute, a think tank that studies economic prosperity. Stolarick came up with a formula that identifies cities with current and likely future growth in high-quality jobs and income. We also weighed affordability and public-transit infrastructure—the latter being an important factor to ensure continued growth in certain metro areas.

Stolarick also included in the formula a measurement of the “creative class,” a product of his work with Richard Florida, academic director of the Martin Institute and author of *The Rise*

of the Creative Class. Creative-class workers—scientists, engineers, educators, writers, artists, entertainers and others—inject both economic and cultural vitality into a city and help make it a vibrant place to live.

We have found that the creative class roughly matches the majority of *Kiplinger’s* readers, so it’s also a good proxy for where you may want to live.

We whittled the list of candidates to ten cities based on the

numbers and our preliminary reporting. To come up with our final rankings, we traveled to the top ten cities to interview business and community leaders and residents. Rankings reflect both the data and our judgments.

	City	Population		Unemployment rates [§]	Income growth [†]	Cost-of-living index [‡]	Median household income [§]	Percentage of workforce in creative class
		MSA [*]	City					
1	Austin, Tex.	1,705,075	777,783	7.1%	11.5%	91.7	\$59,221	37%
2	Seattle, Wash.	3,407,848	582,490	9.0	12.3	123.3	66,465	34
3	Washington, D.C.	5,476,241	591,833	6.7	5.4	137.9	85,824	44
4	Boulder, Colo.	303,482	98,238	6.4	17.0	125.3	66,463	43
5	Salt Lake City, Utah	1,130,293	185,411	7.1	11.8	100.0	60,012	31
6	Rochester, Minn.	185,618	101,659	6.8	9.6	98.8	63,842	37
7	Des Moines, Iowa	562,906	200,010	7.1	9.9	92.1	57,854	33
8	Burlington, Vt.	208,055	38,989	6.0	16.8	119.9	40,539	35
9	West Hartford, Conn.	1,195,998	63,908	8.0	10.0	119.6	67,171	38
10	Topeka, Kan.	230,842	128,486	6.9	11.7	89.1	49,348	33

^{*}Metropolitan statistical area (MSA). [§]Rate for MSA, except for West Hartford. [†]Reflects growth from 2005 to 2008. [‡]National average equals 100. [§]As of 2008. SOURCES: Bureau of Labor Statistics, Connecticut Department of Labor, Connecticut Economic Resource Center, Council for Community and Economic Research (C2ER), The Martin Prosperity Institute, U.S. Census Bureau.